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United States
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Rural Housing
Service

Rural Utilities Service

Washington, DC
20250

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Federal Communications Commission
Office of Secretary

June 10, 1998

Office of the Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

To whom it may concern:

The Rural Utilities Service (RUS) hereby reports that Christopher A. McLean, Deputy Administrator for the Rural Utilities Service appearing on behalf of the Administration, met with members and staff of the Federal Communications Commission on Tuesday afternoon, June 9, 1998, to make an oral *ex parte* presentation on a proposal to improve the administration and reduce the cost of the E-rate program and to move forward on a combination of universal service policies which would reduce or eliminate announced and current charges on residential customer bills (CC Docket 96-45).

In a series of meetings, Mr. McLean met with Chairman Bill Kennard, Commissioner Harold Furchtgott-Roth, Commissioner Susan Ness, Commissioner Gloria Tristani as well as John Nakahata, Tom Power, Paul Gallant, James Casserly, and Jamie Daves. Mr. McLean also offered to make the same presentation to Commissioner Powell and his staff.

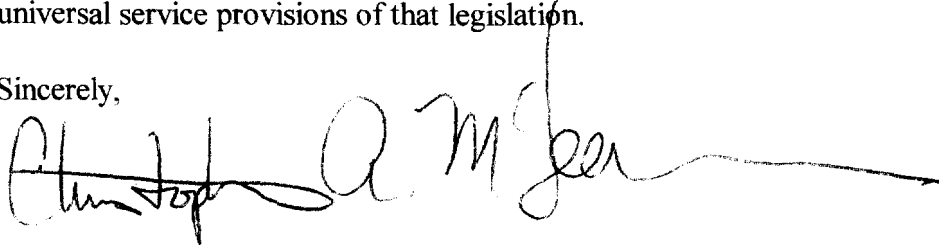
The substance of the oral presentation included recommendations to move expeditiously to consolidate the corporations which administer Universal Service programs; immediately implement salary caps on the those who administer the universal service programs; ensure that the no E-rate funds go to unqualified purposes such as carpeting, paint, or drywall; open a proceeding on truth in billing issues; consider stretching out funding for inside wiring requests to eighteen months to reduce the cost of the E-rate program and better coordinate future application cycles to match the school year; ensure that poor and rural students receive priority in funding decisions; ensure that announced fixed percentage charges not be placed on consumer bills to recover universal service costs; permit carriers to voluntarily add a new charge on consumer bills

that is under a dollar; ensure that the Commission continues to protect and reaffirm its commitment to rural America by ensuring that rates remain "just, reasonable and affordable" in this and future universal service proceedings; and move forward with this important universal service proceeding and not suspend support for high cost rural areas, lifeline support for the poor, discounts for rural health care providers and discounts for schools and libraries.

Mr. McLean discussed a combination of policies which could permit the Commission to move forward on universal service programs and ensure that residential phone bills do not go up, and in many cases, go down. Those policies would reduce school and library collection rates to \$400 million per quarter, permit long distance carriers to voluntarily collect no more than 95 cents per account to recover universal service costs and roll back PICC charges until an appropriate methodology can be developed to prevent residential consumers from being overcharged for this payment which long distance carriers make to local exchange carriers. Even before pending access charge reductions are considered, consumers will see no adverse impact from moving forward with the universal service proceeding and many consumers will see actual reductions in their current bills under this combination of policies.

Access charge reductions have more than exceeded the cost of new universal service requirements in the Telecommunications Act of 1996 and the Commission should not endanger the fundamental universal service provisions of that legislation.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris A. McLean", with a long horizontal flourish extending to the right.

CHRISTOPHER A. McLEAN
Deputy Administrator
Rural Utilities Service

cc: Chairman Bill Kennard
Commissioner Harold Furchtgott-Roth
Commissioner Susan Ness
Commissioner Michael Powell
Commissioner Gloria Tristani

John Nakahata, FCC
Tom Power, FCC
Paul Gallant, FCC
James Casserly, FCC
Jamie Daves, FCC